the answer is given to the question, What stops the investment of savings which constitutes the demand for fixed capital? The exhaustion of loanable funds, evidenced by a high rate of interest, is often approached because of the rapid and world-wide promotion of new enterprises. In such a case, investment must stop until new savings are accumulated, and the check to good trade might well be, as Hawtrey says, the high rate of interest. But there are other checks to investment that have nothing to do with the rate of interest. Investment may stop because investors have assumed all the risks they wish to take, for new enterprises are necessarily uncertain in outcome; investment may be checked by untoward events such as war, crop failures, strikes, and so on, but more particularly by signs of unsoundness in business evidenced by the increasing number of failures in business. In fact, anything that causes distrust in the future course of enterprise will check investment and hence cause trade depression.

Hawtrey's work is logical and scholarly but can hardly be considered to throw new light on the subject of trade fluctuations.

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The Cause of Business Depressions. As Disclosed by an Analysis of the Basic Principles of Economics. By HUGO BILGRAM in collaboration with LOUIS EDWARD LEVY. (Philadelphia: J. B. Lippincott Company. 1914. Pp. xvii, 531. $2.00.)

In this book the collaborators present not merely the cause of business depressions but a critical analysis of current economic theory. In tracing the chain of events which result in periodic business disturbances it is found necessary to probe deeply into the fundamental principles of economics. This book outlines in a clear, succinct, interesting way some of the most complex theories of economics, and is designed for the business man and general reader as well as the trained economist.

The book is divided into four parts. Part I deals with definitions, the theory of value, and the volume theory of money. Part II discusses the apportionment of the national income. Part III describes the effect of monopoly on the distribution of wealth, and especially the effect of an impersonal monopoly of money on pure interest. Part IV is devoted to a new plan for currency reform. In this part of the book the authors explain at considerable length the application of their currency reform plan to many of the

economic and social problems. In a measure they make their specific proposition a kind of universal panacea for all the socio-economic ailments.

In analyzing the cause which brings business stagnation, the authors hold that the volume theory of money is incorrect. Money, they say, must be distinguished from the dollar, the value denominator. The only function of money which includes all media of exchange is to take the place of simple barter and facilitate exchanges. There is no relation between the quantity of money and prices, for the value of money falls back on the value of the commodity which secures money and that value is determined by the law which determines all commodity values. Putting into circulation more money does not raise prices; prices are only affected by the rise or fall in the value of gold. This erroneous theory of money, the volume theory, has blurred the vision of economists, legislators, and business men, and has led to an impersonal monopoly of money, which is the real cause of business depressions.

The sequence of steps which appear in these business cycles is: (1) a period of business expansion in which there is increasing indebtedness based on a practically stationary volume of active funds; (2) a period in which, because of the lack of a sufficient quantity of money, there is a constantly diminishing volume of active funds with bank reserves at a minimum, which results in a practically stationary volume of loan debts; (3) a period of diminishing volume of debts in part due to the many failures by which debts become invalid and must be charged to loss; and, finally, (4) a very dull business period in which the volume of indebtedness is at an ebb, passive funds are gradually restored to the active field, business reorganizations take place, and businesses pass into the hands of the "Napoleons of finance" (pp. 367-373).

The remedy for this state of affairs is not far to seek. Break up the impersonal monopoly in money which has arisen by virtue of legislative interference with the supply of money and the worst features of these business disturbances would be prevented. The authors suggest that money should be freely issued and secured by other forms of wealth than gold or government bonds, such as liens on real property not exceeding one half of the assessed value. The main feature here is ample security of a kind which can be redeemed in the commodity adopted as the value denomi-

nator. In the next place all money issued should be ultimately redeemable in gold bullion. Money is a credit instrument and its goodness depends on ultimate redemption. By issuing money backed by ample security, in amounts equal to the demand for it, there might be a possibility that some of the money holders, creditors, might have to wait a short period of time in order to have their money redeemed in the standard unit. But this is true in regard to all credit instruments; and, as long as there is ultimate redemption of all claims, money would not depreciate even supposing some claimants were compelled to wait a short period of time until the amount of gold bullion demanded in redemption was obtained by the issuing authorities, the debtors. In order to decrease the business demand for money the authors further suggest that unions of business houses should be formed where business debts could be cancelled automatically and only balances be paid in money.

The authors believe that if this plan of automatically adjusting the quantity of money to the demand for money were put into effective operation most of the maladjustments in business would be eliminated. With a sufficient supply of money, pure interest, which is merely a monopoly price paid for the use of money, would disappear, free competition in the use of capital goods would be established, new businesses would be developed, wealth would be increased, labor would be fully employed and amply paid, and the buying power of the masses would thus be increased. Overproduction, which has been emphasized as the primal cause of panics, is a myth. To be sure, wrong things are produced and capital and labor wasted, but, speaking in general, overproduction is nothing but the inability of the masses to buy, and this is occasioned by faulty distribution. Under the scheme here proposed the shares going to the wage-workers would be increased, and hence their ability to absorb the products of legitimate industry would be increased.

The book is interesting, well written, and explains with refreshing clearness some of the most controversial economic topics. It could be condensed without detriment by excluding the parts relating to the theories advanced by some of the older economists—for example, pages 210-215 and 242-274. It would be, also, somewhat more convenient for the reader if the graphical illustrations which are grouped together at the end of the book were incorporated in their respective places in the text.

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